

# HOUSE BILL REPORT

## HB 1085

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*As Reported By House Committee on:  
Financial Institutions & Insurance*

**Title:** An act relating to directors, officers, employees, and other agents of credit unions.

**Brief Description:** Defining the fiduciary relationship of credit union personnel.

**Sponsor(s):** Representatives Winsley, Dellwo, Broback, Dorn, Mielke, Inslee, Schmidt, Zellinsky, Anderson, Paris, R. Johnson, Edmondson, Wynne, Chandler, Wood, Tate and Orr.

**Brief History:**

Reported by House Committee on:  
Financial Institutions & Insurance, January 31, 1992,  
DPSA.

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**HOUSE COMMITTEE ON  
FINANCIAL INSTITUTIONS & INSURANCE**

**Majority Report:** *The substitute bill be substituted therefor and the substitute bill as amended do pass.* Signed by 11 members: Representatives Dellwo, Chair; Zellinsky, Vice Chair; Broback, Ranking Minority Member; Mielke, Assistant Ranking Minority Member; Anderson; Dorn; Inslee; R. Johnson; Paris; Schmidt; and Winsley.

**Staff:** John Conniff (786-7119).

**Background:** State statutes governing banks, savings banks, and savings and loan associations contain standards for management of these institutions and prohibit acts and practices which give rise to conflicts of interest between institutional and personal gain. Statutes governing credit unions contain no similar standards or prohibitions.

**Summary of Amended Substitute Bill:**

No director, officer, employee, or other agent of a credit union may have an interest in the purchase of credit union assets without the consent of a majority of disinterested directors of the credit union. The credit union must give notice to the state supervisor of credit unions if the fair market value of the sale of assets to a director, officer, or employee exceeds \$10,000.

No director, officer, employee, or other agent of a credit union may receive any compensation, commission, or other interest from any person or corporation other than the credit union related to loans made by the credit union or securities bought or sold by the credit union.

No credit union may enter into a contract that would adversely affect the safety or soundness of the institution.

No credit union may enter into a contract with a director, officer, or employee of the credit union if the terms and conditions of the contract are less favorable to the credit union than would be offered to others.

A violation of these provisions constitutes a gross misdemeanor.

***Substitute Bill as Amended Compared to Original Bill:***

Provisions strictly regulating contracts between the credit union and directors, officers and employees are replaced with general standards governing such contracts.

***Fiscal Note:*** Not requested.

***Effective Date of Substitute Bill as Amended:*** Ninety days after adjournment of session in which bill is passed.

***Testimony For:*** For the past year, efforts have been made to address objections raised by some credit unions with respect to strict regulation of contracts between credit unions and directors, officers, and employees. The amendments made resolve such objections while retaining needed regulatory standards.

***Testimony Against:*** None.

***Witnesses:*** (Pro) John Stanislav, Division of Savings and Loan, General Administration; and Gary Gardner, Washington Credit Union League.